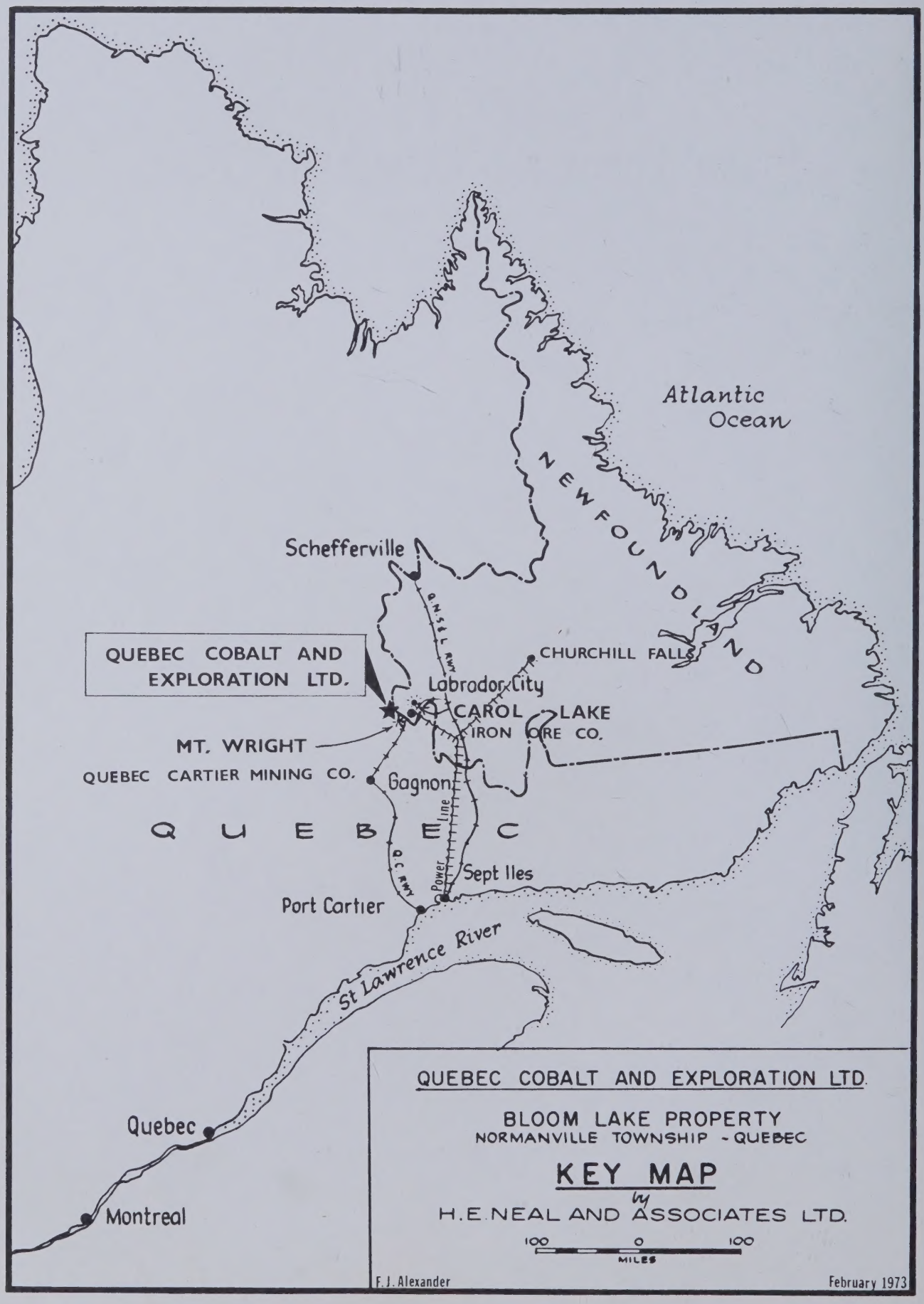
AR37

QUEBEC COBALT AND EXPLORATION LIMITED

(No Personal Liability)

Twenty-first Annual Report

For the Year Ended December 31, 1972.


Atlantic Ocean
NEWFOUNDLAND
Schefferville
QUEBEC COBALT AND EXPLORATION LTD.
CHURCHILL FALLS
Labrador City
CAROL LAKE
IRON ORE CO.
MT. WRIGHT
QUEBEC CARTIER MINING CO.
Gagnon
QUEBEC
Power Line
Sept Iles
Port Cartier
St Lawrence River
Quebec
Montreal
QUEBEC COBALT AND EXPLORATION LTD.
BLOOM LAKE PROPERTY
NORMANVILLE TOWNSHIP - QUEBEC
KEY MAP
by
H.E. NEAL AND ASSOCIATES LTD.
100 0 100
MILES
F.J. Alexander
February 1973

QUEBEC COBALT AND EXPLORATION LIMITED

(No Personal Liability)

Head Office: Suite 300,
600 Dorchester Blvd. W.,
Montreal 101, Quebec.

Executive Office: Suite 306,
67 Yonge Street,
Toronto, Ontario M5E 1J8

CAPITAL

Authorized: 3,500,000 shares $1.00 Par Value

OFFICERS

ROBERT D. HOFFMAN - -	*President*
GEOFFREY P. MITCHELL -	*Vice-President*
B. A. ORR - - - - - -	*Vice-President*
B. A. ORR - - - - - -	*Secretary-Treasurer*

DIRECTORS

ROBERT D. HOFFMAN - -	New York
GEOFFREY P. MITCHELL -	Toronto
B. A. ORR - - - - - -	Toronto
L. B. NORRIE - - - - -	New York
H. W. BAIRD - - - - -	Toronto

TRANSFER AGENTS AND REGISTRARS

THE PREMIER TRUST COMPANY
19 Richmond St. West, Toronto, Ontario

GUARDIAN TRUST COMPANY
618 St. James Street, Montreal, Quebec

QUEBEC COBALT AND EXPLORATION LIMITED

(No Personal Liability)

Directors' Report to Shareholders

Montreal, Quebec
March 5th, 1973

TO THE SHAREHOLDERS:

Your Directors herewith submit a report of Operations and the Financial Statements of the Company for the fiscal year ended December 31, 1972, together with the Auditors' Report to Shareholders.

With the completion of our 1971 and 1972 drilling and exploratory program, proving our Company has one of the major iron ore properties on the American Continent, we can now devote our efforts toward bringing it into a profitable operation.

We regret to report that Mr. Fred W. Thompson, who was co-discoverer with me of our iron deposits in 1952, has retired as a Director. We shall miss him and wish him well in his retirement. However, he has offered his services as a consultant which we have gratefully accepted.

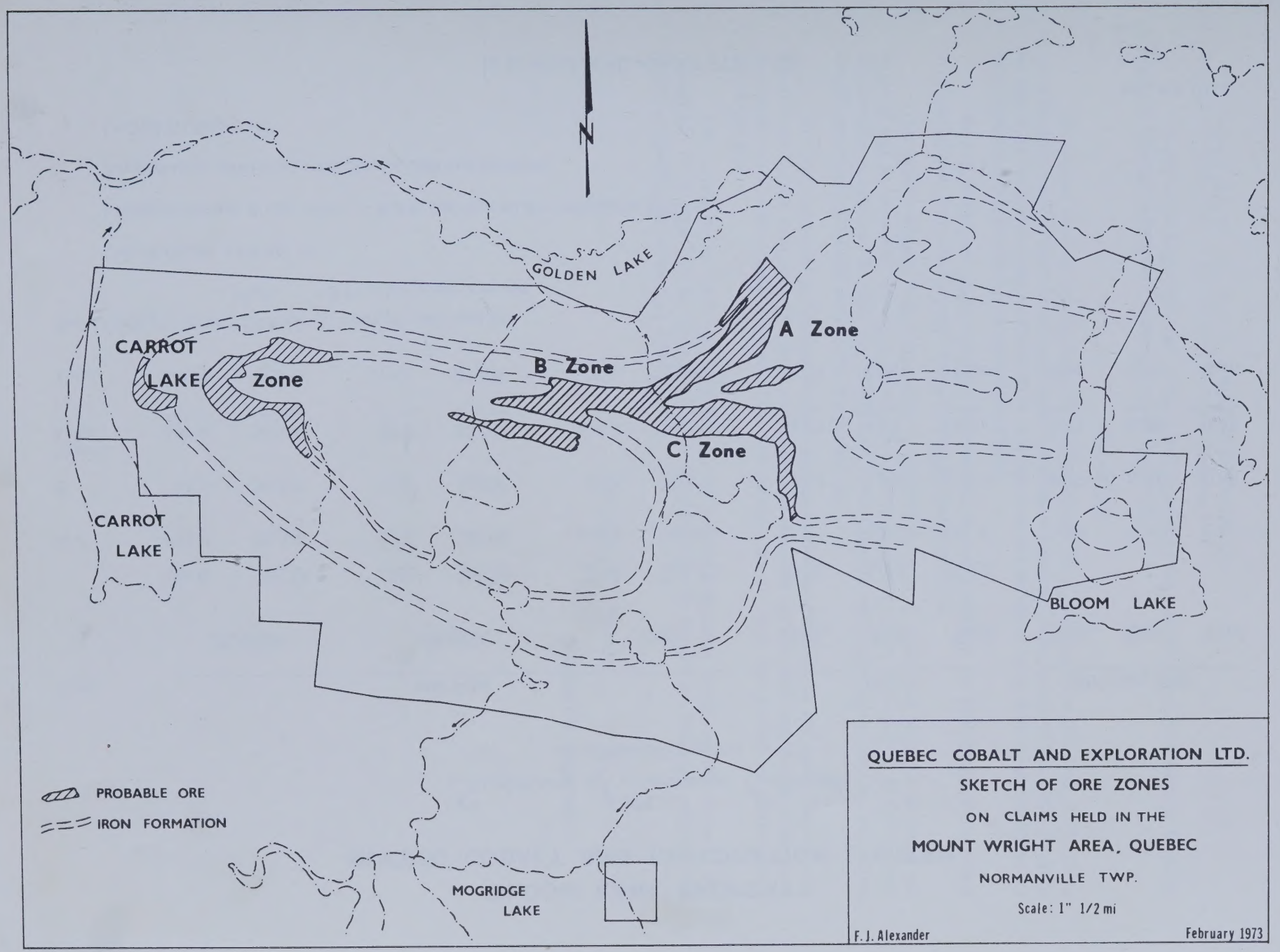
IRON PROPERTIES, MT. WRIGHT, QUEBEC.

1972 marked a high point for the future development of the Quebec Cobalt and Exploration Limited iron properties in the Mt. Wright area, Quebec. Quebec Cartier Mining, a subsidiary of the U.S. Steel Corporation, which is bringing its Mt. Wright property into production, completed the extension of its railroad from Gagnon to the Mt. Wright concentrating plant, five miles from our property. Quebec Cartier Mining also began working on its Fermont townsite, eight miles east of our property in Quebec. A branch of the Churchill Falls power line is being extended to the Quebec Cartier Mining millsite (paralleling the highway within a few miles of our property). A modern highway, constructed by Quebec Cartier Mining, joins Labrador City to the Hesse Lake millsite and passes within three miles of the centre of your Company's property. Two major neighbouring projects are expected to be completed on schedule. These consist of the Quebec Cartier Mining plant to produce 15-million tons of iron concentrates in 1974 and the Iron Ore Company of Canada expansion of 10-million tons of concentrates in 1973 to bring its annual production to 22-million tons.

More important to shareholders of Quebec Cobalt and Exploration Limited, we completed our drilling program in 1972. Better core recovery was obtained by improved wireline drilling equipment and the use of mud in friable ore sections. We have been more than successful in both our objectives in our 1971 and 1972 programs, namely to increase the tonnage and grade of our mineable ore. **This increase in grade is most gratifying since it makes the grade of our reserves comparable to that of our neighbours.** It was made possible by higher grade ore in the Carrot Lake section and in the extension of ore in depth connecting the A and C zones showing substantial higher grade ore than the original drilling done by Jones & Laughlin.

ORE RESERVES

An independent estimate of ore reserves made by H. E. Neal and Associates showed 686,000,000 tons of 29.4% soluble iron at a stripping ratio of .46 tons of waste to one ton of crude — see table on opposite page. This is a low percentage of waste removal to mill feed. The ore reserve estimate does not include any possibilities of extensions east of A and C zones or the continuation of B zone in depth and to the west toward the Carrot Lake zone, a distance of 4,000 feet, nor the possibility of mining the outlying bands 100 to 200 feet in width. After the reserve tons have been mined and the plant amortized, the potential for additional tonnage in the immediate area is excellent and further large tonnages of ore could easily be developed.


N
GOLDEN LAKE
CARROT LAKE
Zone
B Zone
A Zone
C Zone
CARROT LAKE
BLOOM LAKE
MOGRIDGE LAKE
PROBABLE ORE
IRON FORMATION
QUEBEC COBALT AND EXPLORATION LTD.
SKETCH OF ORE ZONES
ON CLAIMS HELD IN THE
MOUNT WRIGHT AREA, QUEBEC
NORMANVILLE TWP.
Scale: 1" 1/2 mi
F. J. Alexander
February 1973

BLOOM LAKE PROPERTY
QUEBEC COBALT AND EXPLORATION LIMITED

Summary of Tonnage Estimate

(in millions of long tons)

Zone	Mill Feed						Waste			Stripping Ratio		
	Probable		Possible		Total		Prob.	Poss.	Total	Prob.	Poss.	Total
	Tons	Sol. Fe.	Tons	Sol. Fe.	Tons	Sol. Fe.	Tons	Tons	Tons			
A-C	356.7	29.3%	87.0	26.9%	443.7	28.8%	135.5	46.1	181.6	0.38	0.53	0.41
B	48.3	30.8%	10.0	30.8%	58.3	30.8%	27.5	6.2	33.7	0.57	0.62	0.58
Carrot Lake	161.4	30.6%	22.8	28.7%	184.2	30.5%	84.9	15.7	100.6	0.53	0.69	0.55
Total	566.4	29.8%	119.8	27.6%	686.2	29.4%	247.9	68.0	315.9	0.44	0.57	0.46

Basis: Cubical Factor: Mill Feed 11 cubic feet per long ton.
Waste 12.5 cubic feet per long ton.

Cut-off Grade: 15% Sol. Fe.

Minimum Mining Width: 40 ft. — Waste less than 40 feet included in Mill Feed.

Areas planimetered using level plans at 200 foot intervals.

Overall Pit Slope: 55°

January 1973.

H. E. NEAL AND ASSOCIATES LTD.

OTHER PROPERTIES

Ontario

The option on Kapkichi Nickel Mines Limited property was exercised by Union Miniere Explorations and Mining Corporation Limited (Umex) in May 1972.

GENERAL

As you can see from our December 31, 1972 Balance Sheet, we have $114,000 cash, $327,000 in net quick assets written down by our auditors to the absolute minimum value, a total of $441,000. Actually we also have intangible assets worth far more. For instance, one net quick asset, carried on our books for $189,000, today can be sold well in excess of $500,000.

Since cash and net quick assets are the lifeblood of your Company, we shall continue our efforts in increasing these two until our property can be brought into production.

Our present income from investments — $32,000 per year, is more than ample to maintain our property and to carry our running expenses. Our yearly expenditures are estimated at $15,000 which include office accounts of $13,000 and $2,000 for Quebec Government acreage taxes, fees, etc. This leaves a small sum to provide outside exploration in a modest way.

We have completed all Quebec Province statutory work requirements on our main Carrot Lake-Bloom Lake Group, comprising 98 claims, 3,920 acres, to maintain them in good standing for a minimum of twenty years. The present Quebec Provincial acreage tax to hold our ground is approximately $1,000 per year.

The success of our 1971 and 1972 exploratory programs depended largely on the efforts of our Consultant, H. E. Neal and his associate Fred J. Alexander and the Inspiration Drilling Company. We extend our thanks to them for a job well done.

On behalf of the Board,

ROBERT D. HOFFMAN,
President.

QUEBEC COBALT AND

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Consolidated Balance She

(with comparative figure

ASSETS

	1972	1971
CURRENT ASSETS		
Cash and term bank deposits	$ 114,032	$ 15,207
Accounts receivable	1,039	164
Income taxes recoverable		1,280
	115,071	16,651
SECURITIES		
Quoted shares and trust units at cost less in 1972, provision for decline in market value (quoted market value, 1972 — $327,032; 1971 — $567,490)	332,110	506,470
Other securities at cost less amounts written off	211,719	211,719
	543,829	718,189
MINING CLAIMS		
Interest in mining claims in the Mount Wright Area, Quebec, held under development licences, acquired for 1,000,000 shares of the company's capital stock issued at 3¢ per share and $1,001 cash	31,001	31,001
	$ 689,901	$ 765,841

AUDITOR

To the Shareholders of

Quebec Cobalt and Exploration Limited
(No Personal Liability)

We have examined the consolidated balance sheet of Quebec Cobalt and Exploration Limited (No Personal Liability) and its subsidiary company as at December 31, 1972 and the consolidated statements of income, retained earnings (deficit) and source and application of funds for the year then ended and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

XPLORATION LIMITED

ıbility)
laws of Quebec
ıpany

December 31, 1972
ɛember 31, 1971)

LIABILITIES

	1972	1971
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$ 24,790	$ 38,171
OTHER LIABILITIES		
Accrued pension liability (note 2)	125,200	115,800

SHAREHOLDERS' EQUITY

CAPITAL STOCK		
Authorized and issued — 3,500,000 shares of $1 each	3,500,000	3,500,000
Less discount on shares	2,916,496	2,916,496
	583,504	583,504
RETAINED EARNINGS (DEFICIT)	(43,593)	28,366
	539,911	611,870
	$ 689,901	$ 765,841

Approved by the Board

ROBERT D. HOFFMAN, Director

B. A. ORR, Director

EPORT

In our opinion, and according to the best of our information and the explanations given to us and as shown by the books of the companies, these consolidated financial statements are properly drawn up so as to exhibit a true and correct view of the state of the affairs of the companies as at December 31, 1972 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada
January 19, 1973

THORNE GUNN & CO.
Chartered Accountants

QUEBEC COBALT AND EXPLORATION LIMITED

(No Personal Liability)
and its subsidiary company

Consolidated Statement of Income

Year ended December 31, 1972
(with comparative figures for 1971)

	1972	1971
REVENUE		
Dividends and royalties received	$ 40,924	$ 39,227
Interest earned	1,888	3,331
Loss on oil well operations	(792)	(814)
	42,020	41,744
EXPENSES		
EXPLORATION		
Consultants' fees and expenses	50,694	23,476
Diamond drilling	146,883	74,735
Licences and taxes	2,007	2,560
Fees in lieu of assessment work		13,420
Travelling and other prospecting expenses	(227)	6,973
Assaying	2,946	3,279
Geophysical survey	7,970	4,670
Wages and camp operating expenses	15,585	9,933
Air transportation	300	2,002
Clerical salary		1,200
	226,158	142,248
ADMINISTRATIVE AND GENERAL		
Office services	7,750	9,210
Shareholders' reports and meetings	1,577	2,120
Directors' fees	800	800
Share transfer expenses	772	1,559
Audit	1,600	1,450
Executive salaries	6,700	32,300
Provision for pension costs	9,400	9,400
Other administrative and general expenses	(443)	2,726
	28,156	59,565
	254,314	201,813
Loss before income taxes and extraordinary items	212,294	160,069
Income taxes (note 3)	2,242	3,467
Loss before extraordinary items	214,536	163,536
Extraordinary items		
Profit on sale of securities	176,577	5,613
Provision for decline in market value of quoted shares	(34,000)	
	142,577	5,613
Loss for the year	$ 71,959	$157,923

QUEBEC COBALT AND EXPLORATION LIMITED

(No Personal Liability)
and its subsidiary company

Consolidated Statement of Retained Earnings (Deficit)

Year ended December 31, 1972
(with comparative figures for 1971)

	1972	1971
Retained earnings at beginning of year	$ 28,366	$ 186,289
Loss for the year	71,959	157,923
Retained earnings (deficit) at end of year	$ (43,593)	$ 28,366

Consolidated Statement of Source and Application of Funds

Year ended December 31, 1972
(with comparative figures for 1971)

	1972	1971
SOURCE OF FUNDS		
Proceeds on sale of securities	$ 316,937	$ 10,155
APPLICATION OF FUNDS		
Loss before extraordinary items	214,536	163,536
Deduct provision for pension costs not requiring current outlay	9,400	9,400
	205,136	154,136
Increase (decrease) in working capital position	111,801	(143,981)
Working capital (deficiency) at beginning of year	(21,520)	122,461
Working capital (deficiency) at end of year	$ 90,281	$ (21,520)

QUEBEC COBALT AND EXPLORATION LIMITED

(No Personal Liability)
and its subsidiary company

Notes to Consolidated Financial Statements

December 31, 1972

1. BASIS OF CONSOLIDATION

The consolidated financial statements include the accounts of a wholly owned subsidiary company which holds U.S. oil interests.

2. PENSION COSTS

The company has agreed to pay pensions to certain employees upon their retirement. The pension cost related to past services of employees has been fully provided for at December 31, 1972.

3. INCOME TAXES

The provision for income taxes represents U.S. withholding tax on dividends and royalties.

4. COMPARATIVE FIGURES

Certain 1971 figures have been reclassified to conform with the presentation adopted for 1972.

N. & G.
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